

ASSEMBLY BILL

No. 1199

Introduced by Assembly Member Frommer

February 22, 2005

An act to amend Section 1374.67 of the Health and Safety Code, relating to health care service plans.

LEGISLATIVE COUNSEL'S DIGEST

AB 1199, as introduced, Frommer. Health care service plans: point-of-service plans.

Existing law provides for the licensing and regulation of health care service plans by the Department of Managed Health Care. Existing law establishes certain limitations on a health care service plan that offers a point-of-service plan, including a requirement that the plan not spend more for out-of-network services for point-of-service enrollees in any fiscal-year quarter than 20% of the amount of its total health care expenditures for all of its enrollees.

This bill would increase that amount from 20 to 25%.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1374.67 of the Health and Safety Code
- 2 is amended to read:
- 3 1374.67. A health care service plan offering a point-of-service
- 4 plan contract is subject to the following limitations:
- 5 (a) A health care service plan shall limit its offering of
- 6 point-of-service plan contracts so that no more than 50 percent of

1 the plan's total premium revenue in any fiscal quarter is earned
2 from point-of-service plan contracts.

3 (b) A health care service plan offering a point-of-service plan
4 contract shall not expend in any fiscal-year quarter more than
5 25 percent of its total health care expenditures for all *of* its
6 enrollees for out-of-network services for point-of-service
7 enrollees.

8 (c) If the amount specified in subdivision (a) or (b) is
9 exceeded by 2 percent in any quarter, the health care service plan
10 shall come into compliance with subdivisions (a) and (b) by the
11 end of the next following quarter. If compliance with the amount
12 specified in subdivisions (a) and (b) is not demonstrated in the
13 health care service plan's next quarterly report, the director may
14 prohibit the health care service plan from offering a
15 point-of-service plan contract to new groups, or may require the
16 health care service plan to amend one or more of its
17 point-of-service contracts at the time of renewal to delete some
18 or all of the out-of-network coverage or services as may be
19 necessary for the plan to demonstrate compliance to the
20 director's satisfaction.

21 (d) The limitation imposed by this section shall not apply to a
22 plan which in substantial part indemnified subscribers and
23 enrollees pursuant to contracts issued under such plan's former
24 registration under the Knox-Mills Health Plan Act in 1975 and as
25 of that date, and on September 1, 1993, was offering
26 point-of-service plan contracts previously approved by the
27 director.